

of S. 304, a bill to amend the Internal Revenue Code of 1986 to repeal the transportation fuels tax applicable to commercial aviation.

S. 442

At the request of Ms. SNOWE, the name of the Senator from Iowa [Mr. GRASSLEY] was added as a cosponsor of S. 442, a bill to improve and strengthen the child support collection system, and for other purposes.

S. 448

At the request of Mr. GRASSLEY, the name of the Senator from Montana [Mr. BAUCUS] was added as a cosponsor of S. 448, a bill to amend section 118 of the Internal Revenue Code of 1986 to provide for certain exceptions from rules for determining contributions in aid of construction, and for other purposes.

SENATE CONCURRENT RESOLUTION 3

At the request of Mr. SIMON, the names of the Senator from Wyoming [Mr. SIMPSON], the Senator from Utah [Mr. HATCH], and the Senator from New York [Mr. D'AMATO] were added as cosponsors of Senate Concurrent Resolution 3, a concurrent resolution relative to Taiwan and the United Nations.

ADDITIONAL STATEMENTS

FLAT TAX ACT

• Mr. SPECTER. Mr. President, I ask that the text of my bill, S. 488, the Flat Tax Act of 1995, which I introduced on March 2, 1995, be printed in today's RECORD. The bill was inadvertently not printed in the RECORD on March 2, 1995, when it was introduced.

The bill follows:

S. 488

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. INDIVIDUALS TAXED ONLY ON EARNED INCOME.

(a) IN GENERAL.—Section 1 of the Internal Revenue Code of 1986 is amended to read as follows:

"SECTION 1. TAX IMPOSED.

"(a) IMPOSITION OF TAX.—There is hereby imposed on the income of every individual a tax equal to 20 percent of the excess (if any) of—

"(1) the taxable earned income received or accrued during the taxable year, over

"(2) the standard deduction (as defined in section 63) for such taxable year.

"(b) TAXABLE EARNED INCOME.—For purposes of this section, the term 'taxable earned income' means the excess (if any) of earned income (as defined in section 911(d)(2)) over the foreign earned income (as defined in section 911(b)(1))."

(b) INCREASE IN STANDARD DEDUCTION.—Section 63 of such Code is amended to read as follows:

"SEC. 63. STANDARD DEDUCTION.

"(a) IN GENERAL.—For purposes of this subtitle, the term 'standard deduction' means the sum of—

"(1) the basic standard deduction, plus

"(2) the additional standard deduction.

"(b) BASIC STANDARD DEDUCTION.—For purposes of subsection (a), the basic standard deduction is—

"(1) \$16,500 in the case of—

"(A) a joint return, and

"(B) a surviving spouse (as defined in section 2(a)),

"(2) \$14,000 in the case of a head of household (as defined in section 2(b)), and

"(3) \$9,500 in the case of an individual—

"(A) who is not married and who is not a surviving spouse or head of household, or

"(B) who is a married individual filing a separate return.

"(c) ADDITIONAL STANDARD DEDUCTION.—For purposes of subsection (a), the additional standard deduction is \$4,500 for each dependent (as defined in section 152) described in section 151(c)(1) for the taxable year.

"(d) INFLATION ADJUSTMENT.—

"(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 1995, each dollar amount contained in subsections (b) and (c) shall be increased by an amount equal to—

"(A) such dollar amount, multiplied by

"(B) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1994' for 'calendar year 1992' in subparagraph (B) of such section.

"(2) ROUNDING.—If any increase determined under paragraph (1) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50."

SEC. 2. INCOME TAX DEDUCTION FOR CASH CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Subsection (a) of section 170 of the Internal Revenue Code of 1986 (relating to charitable, etc., contributions and gifts) is amended—

(1) by striking paragraph (1) and inserting the following new paragraph:

"(1) GENERAL RULE.—There shall be allowed as a deduction any charitable contribution (as defined in subsection (c)) not to exceed \$2,500 (\$1,250, in the case of a married individual filing a separate return), payment of which is made within the taxable year,"

and

(2) by striking paragraph (3).

(b) CONFORMING AMENDMENTS.—

(1) Section 170(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(3) TERMINATION OF SUBSECTION.—This subsection shall not apply to taxable years beginning after December 31, 1995."

(2) Section 170(c) of such Code is amended by inserting "of cash or its equivalent" after "means a contribution or gift".

(3) Subsections (d) and (e) of section 170 of such Code are repealed.

(4) Section 170(f) of such Code is amended by striking paragraphs (1) through (7) and by redesignating paragraphs (8) and (9) as paragraphs (1) and (2), respectively.

(5) Subsections (h) and (i) of section 170 of such Code are repealed.

SEC. 3. LIMITATION OF HOME MORTGAGE DEDUCTION TO ACQUISITION INDEBTEDNESS.

Paragraph (3) of section 163(h) of the Internal Revenue Code of 1986 (relating to interest) is amended—

(1) by striking subparagraphs (A), (C), and (D) and inserting before subparagraph (B) the following new subparagraph:

"(A) IN GENERAL.—The term 'qualified residence interest' means any interest which is paid or accrued during the taxable year on acquisition indebtedness with respect to any qualified residence of the taxpayer. For purposes of the preceding sentence, the determination of whether any property is a qualified residence of the taxpayer shall be made as of the time the interest is accrued,"

and

(2) by striking "\$1,000,000" each place it appears and "\$500,000" in subparagraph (B)(ii)

and inserting "\$100,000" and "\$50,000", respectively.

SEC. 4. MODIFICATION OF TAX ON BUSINESS ACTIVITIES.

Section 11 of the Internal Revenue Code of 1986 (relating to tax imposed on corporations) is amended to read as follows:

"SEC. 11. TAX IMPOSED ON BUSINESS ACTIVITIES.

"(a) TAX IMPOSED.—There is hereby imposed on every person engaged in a business activity a tax equal to 20 percent of the business taxable income of such person.

"(b) LIABILITY FOR TAX.—The tax imposed by this section shall be paid by the person engaged in the business activity, whether such person is an individual, partnership, corporation, or otherwise.

"(c) BUSINESS TAXABLE INCOME.—

"(1) IN GENERAL.—For purposes of this section, the term 'business taxable income' means gross active income reduced by the deductions specified in subsection (d).

"(2) GROSS ACTIVE INCOME.—For purposes of paragraph (1), the term 'gross active income' means gross income other than investment income.

"(d) DEDUCTIONS.—

"(1) IN GENERAL.—The deductions specified in this subsection are—

"(A) the cost of business inputs for the business activity,

"(B) the compensation (including contributions to qualified retirement plans but not including other fringe benefits) paid for employees performing services in such activity, and

"(C) the cost of tangible personal and real property used in such activity.

"(2) BUSINESS INPUTS.—For purposes of subparagraph (A), the term 'cost of business inputs' means—

"(A) the actual amount paid for goods, services, and materials, whether or not resold during the taxable year,

"(B) the fair market value of business inputs brought into the United States, and

"(C) the actual cost, if reasonable, of travel and entertainment expenses for business purposes.

Such term shall not include purchases of goods and services provided to employees or owners.

"(e) CARRYOVER OF EXCESS DEDUCTIONS.—

"(1) IN GENERAL.—If the aggregate deductions for any taxable year exceed the gross active income for such taxable year, the amount of the deductions specified in subsection (d) for the succeeding taxable year (determined without regard to this subsection) shall be increased by the sum of—

"(A) such excess, plus

"(B) the product of such excess and the 3-month Treasury rate for the last month of such taxable year.

"(2) 3-MONTH TREASURY RATE.—For purposes of paragraph (1), the 3-month Treasury rate is the rate determined by the Secretary based on the average market yield (during any 1-month period selected by the Secretary and ending in the calendar month in which the determination is made) on outstanding marketable obligations of the United States with remaining periods to maturity of 3 months or less."

SEC. 5. EFFECTIVE DATE.

The amendments made by this Act shall apply to taxable years beginning after December 31, 1995.●

THE SENATE WITHOUT SENATOR METZENBAUM

• Mr. SIMON. Mr. President, it has been only 2 months since the retirement of our former colleague, Senator